



NWM PRIVATE DEBT FUND

THE FUND

The NWM Private Debt Fund combines a fund-of-funds approach and direct investing in private debt opportunities to earn an attractive premium above public market fixed income yields and returns. We expect to generate a higher return from the higher coupons, equity upside and stronger risk protection. The Fund is targeting 7-8% income yield plus 2-3% capital gains, for 9-11% net return per annum.

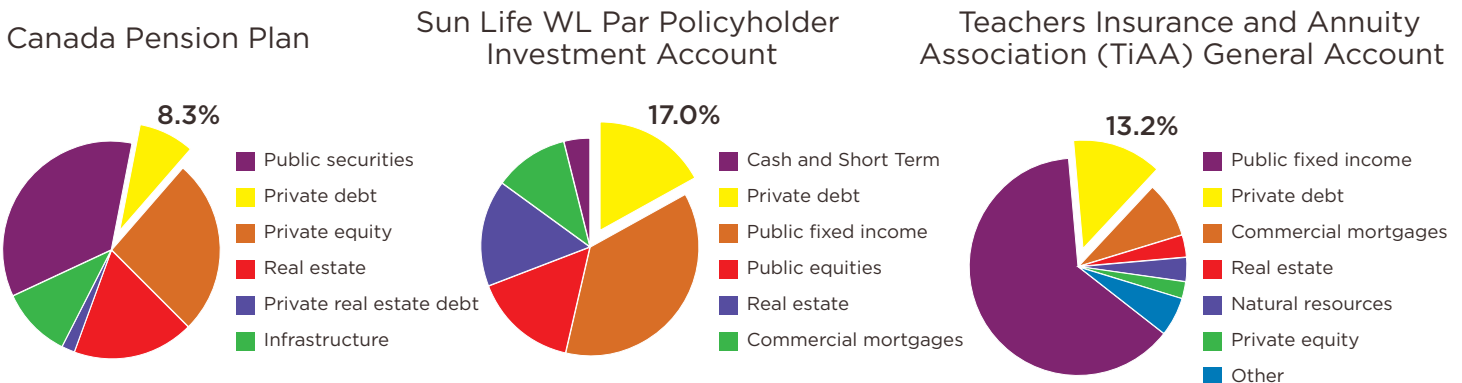
THE MANAGER

Nicola Wealth Management Ltd. (NWM), the “Manager,” is a Vancouver-based wealth management and financial planning firm established in 1994. With a philosophy built on cash flow and diversification, our growing series of funds is managed by members of NWM’s Portfolio Management Team.

WHAT IS PRIVATE DEBT?

Private debt is the direct lending by one or few investors in the form of loans or debentures to private or public companies, as opposed to bonds and loans that are issued to many participants and tradable in markets. Private debt opportunities are illiquid investments that generally need to be held until maturity. For the long-term investor who can make this commitment, private debt can offer attractive yields and returns.

Private Debt Allocations by Some Long-Term Institutional Investors



As of Dec 31, 2016

WHY PRIVATE DEBT?

High Income Yield

Private debt transactions generate high and stable income for the investor from the combination of coupon interest and fee income. Several factors help private debt generate higher yields than publicly traded fixed income:

- **Inefficient Markets** – private deals will have better pricing when borrowers cannot access competitive publicly traded markets, require a customized financing solution, or prefer a trusted or sole lender relationship.
- **Illiquidity Premium** – since private debt generally does not trade and needs to be held until maturity, long-term investors that can make this commitment will earn the illiquidity premium over publicly traded fixed income.

Equity Participation

Lenders can often negotiate equity participation through stock, warrants or bonus payments, which can contribute significantly to the overall investment return. Equity upside is common in private debt transactions, particularly in junior debt securities, to adequately compensate the lender for the risks.

Downside Protection

Private debt generally has lower default rates and losses than publicly traded debt. Some factors for this are:

- **Security and Covenant Protection** – private debt investors can structure more security and covenants for loss protection in unique and less-competitive transactions.
- **Information Advantage** – private lenders conduct extensive due diligence before investment and have ongoing access to company information to monitor risk. Our private debt managers often have board representation or observation rights for their investment companies.
- **Coordination and Control** – because there are not many investor participants involved,

sole or coordinated private lenders can protect their investments more effectively when negotiating with companies and other stakeholders.

Low Volatility

Private debt generally does not trade, so it is not subject to the pricing volatility that public markets such as high yield bonds can exhibit from technical flows.

NWM PRIVATE DEBT STRATEGY

Diversified Access to Private Debt Funds

Similar to large institutional investors, we focus on a fund-of-funds approach where we invest with multiple managers. By diversifying across managers, regions, industries and strategies, the portfolio enables investment access across a wide set of attractive private debt opportunities.

NWM has been investing in private debt investments as part of the NWM Private Equity Limited Partnership. Upon launch, the NWM Private Debt Fund will hold these seasoned investments as part of its portfolio, resulting in immediate income and diversification benefit to investors.

Co-Investment and Direct Lending Platform

Through our sub-managers and networks, NWM has created a platform for the NWM Private Debt Fund to make co-investments alongside our managers, essentially reducing fees for clients. A significant portion of the NWM Private Debt Fund will focus on direct lending and co-investment opportunities, benefiting from the industry expertise, sourcing capabilities and investment resources of our partners.

Liquidity

Typically, investors in private debt have no liquidity or redemption options. It is our intention to diversify the portfolio such that an individual investor will be able to access partial or full liquidity for their investment on a quarterly basis

(see *Offering Memorandum for details and restrictions*). In order to realize the best returns over time, however, the fund manager recommends that investors should have an investment horizon of 5 to 10 years in this asset class.

Registered Account Eligibility

The NWM Private Debt Fund is organized as a mutual fund trust and will be an attractive fixed income investment in the tax-sheltered accounts of many of our clients (RRSP, TSFA, RESP).

PRIVATE DEBT FUND SUB-MANAGERS



Crown Capital is a specialty finance company focused on providing capital to middle market companies that are unwilling or unable to obtain suitable financing from traditional capital providers. Crown typically works with companies that generate annual revenues of \$50 million – \$500 million.

Crown Capital Fund IV focuses on lending to Canadian businesses for transitory capital requirements, often with attractive upside through equity, warrants or bonus payments.



Founded in 1979, Penfund is Canada's oldest independent private equity firm. Based in Toronto, Penfund operates as a relationship-oriented specialty lender to U.S. and Canadian companies that generate annual EBITDA of at least \$10 million and annual revenue of at least \$40 million. It focuses on specific industries within consumer, health care and business services sectors.

Penfund Capital Fund V launched in 2015 and has loan investments in the health care, food processing, and auto aftermarket sectors.



OAKTREE

Oaktree Capital Management is a leading global alternative investment management firm with expertise in credit strategies. In private debt, Oaktree lends to companies with a strong relative market position and a well-developed business strategy, in addition to sustainable cash flows and a proven management team.

Oaktree Mezzanine Fund IV focuses on lending to U.S. middle market companies in buyout, acquisition and corporate growth situations. The fund invests in junior debt plus equity or warrants.



THL Credit

THL Credit is an experienced alternative credit manager founded in 2007, affiliated with Thomas H. Lee Partners, one of the world's oldest private equity firms. Headquartered in Boston with regional offices across the U.S., THL Credit lends to U.S. lower middle market companies in specific sectors: business & financial services, consumer & healthcare and media & information services.

THL Credit Fund III launched in 2016 and provides senior secured loans to companies with annual EBITDA of \$10 million - \$25 million.



STREAM | Asset Financial Management

Stream Asset Financial Management structures yield-oriented investments in midstream, energy and energy infrastructure sectors in Western Canada. Its diverse asset investments may include natural gas plants, compressor stations, rail spurs, sales pipelines, gathering systems and steam generation plants.



Vistara Capital Partners Ltd provides highly flexible growth debt & equity solutions to mid-late stage technology and technology-enabled services companies in Canada and the U.S. It offers tailored growth capital solutions to businesses through any or a mix of secured term or bridge loan, facility, junior debt, and preferred equity.

Disclosure:

This is a summary only, and is not intended as an offering document. Please see Offering Memorandum for the NWM Private Debt Fund for details. Please refer to the "Disclosure of Risks" document for an outline of risks, and additional details and important disclosure information. NWM is registered as a Portfolio Manager, Exempt Market Dealer and Investment Fund Manager with the required provincial securities' commissions. All investments contain risk and may gain or lose value. Please speak to your NWM advisor for advice based on your unique circumstances.